

EXHIBIT A SCOPE OF WORK

I. INTRODUCTION

The Contractor shall serve as the State's actuarial consultant, providing the services detailed in this Agreement with respect to the programs the State currently administers or may administer during the term of the Agreement, as is more fully set forth in Item II, below.

II. CONTRACTOR RESPONSIBILITIES

A. Major Risk Medical Insurance Program (MRMIP)/Guaranteed Issue Program (GIP) Tasks

1. Evaluates Subscriber Rates

Each August, for a September first due date, health plans in MRMIP calculate new subscriber contribution rates to be effective for the next calendar year, as directed by statute and regulation. While the State may change in statute, the method for computing rates as part of the planned overhaul of MRMIP and GIP, both the current and future process involves the following tasks. Each year when new rates are submitted, the Contractor shall:

- a. Review rates in relation to the individual rates offered by each health plan in the open market to determine if proper adjustments have been made for the MRMIP base rates.
- b. Analyze the difference in proposed premium rates among health plans to establish the likely cause of the differences.
- c. Review proposed premium rates by any Contractors in relation to the rates offered by existing plans, to ensure that rates reflect normal premiums and do not include underwriting by Contractors to separate out bad risks.

2. Assist the State in comparing actual cost experience with current estimates in order to establish enrollment limits. This is normally done twice in the State Fiscal Year, in the fall at the November Board Meeting and spring at the May Board Meeting. Assist the State in determining revenue needs under statutory reform of MRMIP and GIP. The Contractor shall:

- a. Use a cost projection model to evaluate expected costs for program enrollees.

- b. Identify areas of uncertainty related to cost projections.
 - c. Review results of cost projections at least twice a year, or more frequently when required by the State. Identify new factors and trends impacting the development of cost estimates.
 - d. Determine the capacity for enrollment in MRMIP in conjunction with enrollment in the GIP Pilot Project and estimated GIP claims costs, within the set appropriations of the current program.
 - e. Estimate the costs and determine the amount of insurance carrier assessments needed to fund a program with no capped enrollment, if the planned program overhaul takes place.
 - f. Review the adequacy of current reserve levels.
- 3. Advise the State on the appropriateness and potential fiscal reliability of the current risk-sharing arrangements with health plans to assure that the arrangements provide the most value to the State.
- 4. Advise the State in the further development and use of its management information system. The Contractor shall:
 - a. Review data elements from MRMIP plans to ensure better standardization.
 - b. Assist the State in using available reports for program monitoring.
 - c. Identify medical characteristics indicating potentially higher or lower than average costs.
- 5. Advise the Board on policy initiatives impacting the MRMIP and GIP programs and potential legislation impacting these programs and the individual market. The Contractor shall:
 - a. Assess the desirability of, and alternate approaches for, income means testing for MRMIP subscriber contribution requirements.

- b. Assess the financial and enrollment impact of raising the current \$75,000 annual benefit maximum in MRMIP.
 - c. Assist in identifying which other States with risk pools or individual market insurance reforms, provide the best funding, access and benefit models for improving access in the individual insurance market. Survey how other states are implementing federal portability requirements (Health Insurance Portability and Accountability Act of 1996).
 - d. Track and analyze trends in the California individual insurance market.
 - e. Analyze the fiscal impact and insurance market access impact of legislative proposals for individual market and small group reform and for alternative methods of covering medically uninsurable persons.
- 6. Advise the State on the continuing implementation of GIP Pilot Project, if relevant. The Contractor shall:
 - a. Advise the State on the systems for interim and annual payments to GIP health plans.
 - b. Advise the State on its tracking system for persons leaving the MRMIP for guaranteed individual coverage under GIP.
- 7. Assist the State in pricing alternative approaches to serving the MRMIP target population, to include estimation of the size of the medically uninsurable population, the amount of subsidy funds needed, and the method to obtain subsidy funds.
- 8. Assist the State in evaluating and analyzing the cost/ benefit and risk factors of obtaining FFP under the Federal High Risk Fund.
- 9. Conduct a telephone survey of existing MRMIP and/or GIP subscribers. The Contractor shall:
 - a. Select a statistically valid sample size, stratified by health plan.
 - b. Advise the State on the development of survey questions.

- c. Produce a file of survey results in an electronic format acceptable to the State, for use on the State's existing management information system.
 - d. Tabulate responses for all survey items.
 - e. Advise the State on interpreting survey results.
- 10. Evaluate cost impacts on MRMIP resulting from mandated benefits.
- 11. Assist the State in analyzing MRMIP/GIP benefits in relation to the individual insurance market.
- 12. Assist the State in determining the amount of a prudent reserve. The Contractor shall:
 - a. Identify areas of risk and uncertainty.
 - b. Based on the above, estimate the amount of reserve required for program solvency.
 - c. Estimate the probability of exceeding specific funding levels based on differing sets of assumptions that may change the reserve estimate.
 - d. Recommend a method for continuous monitoring of the adequacy of the reserve.
- 13. Other tasks as required by the State.

B. Access for Infants and Mothers (AIM) Program Tasks

- 1. Assist the State in the ongoing evaluation of AIM Program rates for the annual contract amendment process and a potential full reprocurement starting in the winter of 2006. The Contractor shall:
 - a. Review compiled data on average cost differences for differing population groups and benefit packages, with a focus on families with incomes between 200% and 300% of the Federal Poverty Level.
 - b. Identify risk factors that should be considered in developing rates, using available data from California and other states.

- c. Use the Contractor's internal data sources to compare with State estimates of utilization rates for specific services.
 - d. Identify medical conditions that may result in higher or lower than average costs.
 - e. Maintain and improve the State's model calculating program costs by risk level and mix of enrollees.
- 2. Advise the State on the appropriateness and fiscal reliability of existing fiscal and risk arrangements between the State and health plans. The Contractor shall:
 - a. Evaluate current fiscal arrangements, using the State's data on program costs.
 - b. Identify any potential alternative risk-sharing arrangements based on other programs and other states.
 - c. Determine open market prices paid for prenatal and delivery costs.
- 3. Assist the State in determining the amount of a prudent reserve. The Contractor shall:
 - a. Identify areas of risk and uncertainty.
 - b. Based on the above, estimate the amount of reserve required for program solvency.
 - c. Estimate the probability of exceeding specific funding levels based on differing sets of assumptions that may change the reserve estimate.
 - d. Recommend a method for continuous monitoring of the adequacy of the reserve.
- 4. Advise the State to ensure that its data collecting for AIM provides information necessary for making actuarial sound judgments. The Contractor shall:
 - a. Review the data elements collected from AIM health plans to ensure better standardization.
 - b. Advise the State on the best methods of analysis and use of claims data collected from AIM health plans.

- c. Identify medical characteristics that may indicate potentially higher or lower than average costs.
5. Evaluate the impact of using co-payments, deductibles or other point of service payments on utilization and costs.
6. Conduct a telephone survey of existing AIM subscribers. The Contractor shall:
 - a. Select a statistically valid sample size, stratified by health plan.
 - b. Advise the State on the development of survey questions.
 - c. Produce a file of survey results in an electronic format acceptable to the State, for use on the State's existing management information system.
 - d. Tabulate responses for all survey items.
 - e. Advise the State on interpreting survey results.
7. Review the State's current process for reconciling contract expenditures in the AIM program. Provide advice, if requested, on the development of a new cost-effective and timely set of procedures for contract reconciliation and fiscal monitoring of plan contracts.
8. Advise the State on policy initiatives and potential legislation impacting the program.
9. Advise the State on ways to improve eligibility determination and coordination of benefits for families who enter AIM and have other medical coverage.
10. Other tasks as required by the State.

C. Healthy Families Program (HFP) Tasks

1. Advise the State on HFP Rate negotiations. The Contractor shall:
 - a. Assist the State in analyzing the rate development worksheets submitted by plans and used during the negotiation process to support the capitation rates, including

but not limited to determining the sufficiency of premiums bid by plans in the HFP.

- b. Analyze rates submitted by plans for their reasonableness in light of health industry trends and other pertinent factors.
 - c. Advise the State on rate negotiation strategy, including the methodology for determining rates that give the best value to the State.
3. Assist the State in reviewing the financial viability of plans participating or requesting to participate in the HFP, through the review of financial statements and other documentation on the financial stability of the plans.
4. Assist the State in the analysis and evaluation of the Loss Ratio reports of HFP contract health, dental and vision plans. Advise the State on the best utilization of these reports in negotiating contract rates and monitoring plan quality.
5. Provide the State with actuarial information needed to consider program eligibility and/or benefit changes. The Contractor shall:
 - a. Evaluate and report fiscal impact of benefit revisions and other program changes the State suggests.
 - b. Assist the State in developing a financial model for estimating program benefit costs.
 - c. Provide estimates on new benefits resulting from changes in State law.
 - d. As requested by the State, price the cost impact of specified legislative bills, including but not limited to bills addressing co-payments, changes in benefits, premiums, and payment policy affecting the program.
 - e. Advise the State on strategies for pricing coverage of infants less than one year of age enrolled in the HFP including infants born to AIM mothers who are automatically enrolled in HFP at birth.
 - f. Compare cost of adding 19 and 20 year olds to the HFP with the cost of maintaining the current eligibility standard of infants through age 18.

6. Provide the State with assistance and advice on HFP quality issues
The Contractor shall:
 - a. Assist the State in developing program evaluation model options and providing access to benchmark data available on quality customer service.
 - b. Advise the State on strategies to improve evaluation of quality issues during the contract selection process and annual rate negotiation renewals.
 - c. Advise the State on the use of encounter data and the collection of other health services information in assessing health care utilization.
7. Estimate the impact on program benefit and administrative costs of combining the annual eligibility review and open enrollment processes.
8. Assess the impact on HFP costs and service delivery of retaining or removing the current carve outs for coverage in HFP of higher risk children through the California Children's Services Program (CCS) and county programs for children with Severe Emotional Disturbances (SED).
9. Review the State's proposed process for reconciling contract expenditures in the HFP using accounting data and the management information system for the program. Provide advice on the development of a cost- effective and timely set of procedures for contract reconciliation and fiscal monitoring of plan contracts.
10. Conduct a telephone survey of the families of existing HFP subscribers. The Contractor shall:
 - a. Select a statistically valid sample size, stratified by health plan.
 - b. Advise the State on the development of survey questions.
 - c. Produce a file of survey results in an electronic format acceptable to the State, for use on the State's existing management information system.
 - d. Tabulate responses for all survey items.

e. Advise the State on interpreting survey results.

12. Assist the State in evaluating different federal allocation methods of SCHIP funds.

13. Other tasks as required by the State.

D. County Children's Health Insurance program (C-CHIP)/ County HFP Buy-In Program Tasks

1. Advise the State on the continuing implementation and administration of C-CHIP. This shall include advising the State on the reasonableness of project cost estimates and assisting the State in budgeting available Federal funds under the funding and time constraints of Title XXI and the C-CHIP enabling legislation.

2. Advise the State on the implementation of the County HFP Buy-In, under which counties with local children's health insurance programs could buy into the State's contracted eligibility and enrollment capacity and the State's network of HFP health, dental and vision plans. This shall include advising the State on methods for dealing with program risk and the reasonableness, for both the State and the counties, of project cost estimates.

3. Advise the State on policy initiatives and potential legislation impacting county access programs.

4. Other tasks as required by the State.

E. Other Tasks

The Contractor shall perform such other tasks as the State may direct.

F. Subcontractors

1. The Contractor shall be responsible for its use of subcontractors, the quality of their products used in completing contract tasks, and assuring that they are properly registered as small or disabled veteran owned businesses, when applicable.

a. Contractor shall perform the work contemplated with resources available within its own organization [except for subcontracted work identified in this Agreement]. No other portion of the work pertinent to this Agreement shall be

subcontracted without written authorization by the State. The subcontractor must be mutually agreed upon in advance by both parties.

- b. Contractor shall require any subcontractor to agree to be bound by all provisions of this Agreement as applicable.

G. Board Meetings

The Contractor shall make available a member of the project team to attend, at State request, any Managed Risk Medical Insurance Board Meetings to support MRMIB staff in responding to those questions from the Board and general public which require actuarial expertise.

H. State Direction of Tasks

1. Each of the above tasks shall be started only upon direction from the State. The State retains the right to add, combine, reduce or eliminate tasks, as its actuarial needs change over the term of the Agreement. Tasks shall be completed within mutually agreeable time frames. However, the Contractor is encouraged to identify to the State, the optimal timing for commencement of tasks. The State's authorizations to the Contractor to proceed with work shall be in writing.
2. The Contractor understands and expressly agrees that each and every task that is, or may become, subject to this Agreement may also be the subject of one or more other agreements with other contractors, in which case, the State has complete discretion in determining which contractor will, and which contractor will not, perform any given task.

I. Task Completion

Completed tasks shall be reported to the State, in a manner and format to be determined and agreed upon at the commencement of the task. The reporting format may be written, or through scheduled meetings with State staff.

III. TERM OF AGREEMENT

This Agreement may be extended through an Amendment of the Agreement at State option, based on factors that might include (but not be limited to) the State's satisfaction with the Contractor's performance and

the State's continued need for services of the sort provided pursuant to this Agreement.